

Message Text

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ACTION EUR-12

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TAGS: EFIN, EEC

SUBJECT: EC FINANCE COUNCIL MEETING ON NOVEMBER 17 -- PROSPECTS

REF: A. EC BRUSSELS 9996

B. EC BRUSSELS 8916

C. EC BRUSSELS 9777

D. EC BRUSSELS 6609

E. EC A-252

F. EC BRUSSELS 4983

1. BEGIN SUMMARY: THE NOVEMBER 17 FINANCE COUNCIL WILL FOCUS ON THE RESULTS OF THE SUMMIT AT RAMBOUILLET AND ON EC ECONOMIC CONDITIONS. THE COUNCIL WILL ALSO TAKE UP THE PROPOSED EURATOM FINANCING OF THE CONSTRUCTION OF NUCLEAR POWER STATIONS AND CHANGING THE UNIT OF ACCOUNT FOR THE EC BUDGET AND FOR THE EUROPEAN COAL AND STEEL COMMUNITY.

IT WILL ALSO CONSIDER A DUTCH PROPOSAL TO MODIFY COUNCIL PROCEDURES.

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END SUMMARY.

2. ECONOMIC SUMMIT: THE FINANCE MINISTERS ARE EXPECTED TO DISCUSS THE RESULTS OF THE SUMMIT AT RAMBOUILLET. COMMISSION OFFICIALS SAY THAT THEY RECOGNIZE THE NEED FOR THE MAJOR INDUSTRIALIZED COUNTRIES TO EXCHANGE VIEWS AT THIS TIME. THE COMMISSION AND THE SMALLER MEMBER STATES HOWEVER ARE CONCERNED THAT THE LARGE MEMBER STATES MAY TAKE DECISIONS THAT AFFECT THE EC AS A WHOLE WITHOUT FIRST COORDINATING WITH THE OTHER COMMUNITY MEMBERS. FOR THIS REASON, THE COUNCIL WILL LIKELY FOCUS ON ANY DECISION COMING OUT OF THE SUMMIT WHICH WOULD ESTABLISH AN INSTITUTIONAL STRUCTURE FOR FOLLOWING UP ON BIG SIX POLICY DIRECTIONS. IF THE SUMMIT AGREES TO SUCH A FOLLOW-UP, THE COMMISSION WOULD LIKELY ASK THE MEMBER STATES TO AGREE FIRST TO ADOPT A COMMUNITY POSITION ON AT LEAST THOSE ISSUES WITHIN ITS COMPETENCE BEFORE THE BIG SIX TAKE THEM UP.

3. EC ECONOMIC FORECAST: THE COUNCIL WILL TAKE UP THE COMMISSION'S ECONOMIC FORECAST FOR THE COMMUNITY (SEE REF A AND B). IN ITS COMMENTS TO THE COUNCIL, THE EC ECONOMIC POLICY COMMITTEE GENERALLY AGREES WITH THIS FORECAST BUT NOTES THE PROJECTED REAL EC GROWTH RATE OF 3.3 PERCENT NEXT YEAR DEPENDS UPON AN INCREASE IN EXTERNAL DEMAND AND RESTORATION OF PUBLIC CONFIDENCE. BUSINESS PROFITS MUST RISE IF THE ECONOMIC RECOVERY IS TO BE SUSTAINED, WHICH REQUIRES HOLDING DOWN THE NOMINAL INCREASE IN WAGE RATES. THE COMMITTEE CONCLUDES THAT IT IS PREMATURE TO CHANGE THE ECONOMIC POLICIES ADOPTED LAST SUMMER, BUT MEMBER STATES SHOULD BE PREPARED TO BE FLEXIBLE AND TO CHANGE BUDGET AND MONETARY MEASURES IF NECESSARY.

4. BUDGET UNIT OF ACCOUNT: THE FRG IS PRESSING TO USE CURRENT EXCHANGE RATES TO CALCULATE EC BUDGET CONTRIBUTIONS. THIS WOULD REDUCE THE REAL COST OF BUDGET CONTRIBUTIONS OF COUNTRIES WHOSE CURRENCIES HAVE APPRECIATED AND WOULD RAISE THE COST OF THOSE WHOSE CURRENCIES HAVE DEPRECIATED (SEE REF C). THE COMMISSION MAY REPORT THAT A WORKING GROUP PREFERS WAITING UNTIL 1978 TO APPLY THE NEW EUROPEAN UNIT OF ACCOUNT (EUA, A MARKET BASKET OF EC CURRENCIES) TO THE BUDGET. AT THAT TIME THE BUDGET'S OWN RESOURCES SYSTEM WILL COME INTO EFFECT, WHICH WOULD REDUCE BOTH THE TECHNICAL AND POLITICAL PROBLEMS. THE COMMISSION IS EXPECTED TO OBTAIN THE COUNCIL'S AGREEMENT TO ITS LIMITED OFFICIAL USE
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PLAN TO USE THE EUA FOR BUDGET OPERATIONS OF THE EUROPEAN COAL AND STEEL COMMUNITY (SEE REF D).

5. EURATOM LOANS: THE COUNCIL WILL AGAIN TAKE UP THE COMMISSION'S PROPOSAL TO AUTHORIZE EURATOM TO BORROW ON CAPITAL MARKETS TO HELP FINANCE THE CONSTRUCTION OF NUCLEAR POWER STATIONS (SEE REF E). THE COMMISSION NOW SUGGESTS THAT EURATOM BE AUTHORIZED TO BORROW UP TO ONE BILLION U.A. (\$1.21 BILLION) IN AT LEAST TWO TRANCHES OVER AN UNSPECIFIED PERIOD. THE FINANCIAL GUARANTEES FOR THE BORROWINGS ARE STILL UNRESOLVED. IN

ADDITION, SOME MEMBER STATES WANT TO INCLUDE THE EUROPEAN INVESTMENT BANK IN THESE LOANS. THESE OUTSTANDING ISSUES WILL LIKELY PREVENT THE COUNCIL FROM REACHING AGREEMENT AT THIS TIME.

6. DUTCH PROPOSALS: THE COMMITTEE OF PERMANENT REPRESENTATIVES HAS INFORMED THE COUNCIL THAT IT DOES NOT AGREE WITH THE DUTCH PROPOSAL TO REDUCE THE FREQUENCY OF COUNCIL MEETINGS AND ESTABLISH A COMMITTEE TO COORDINATE PREPARATION FOR THE COUNCIL (REF F). IT DOES AGREE, HOWEVER, THAT THE FINANCE MINISTERS' RESTRICTED LUNCHESES GENERALLY SHOULD NOT TAKE UP ISSUES TO BE DISCUSSED BY THE COUNCIL AND THAT DECISIONS COMING OUT OF THE LUNCHESES SHOULD CONTINUE TO BE AFFIRMED BY THE COUNCIL. GREENWALD

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